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How Will MacArthur Debate Affect U. S. Policy?

WASHINGTON — The Truman administration has been adopting piecemeal General Douglas MacArthur's foreign policy suggestions—publicly urged by Senator William F. Knowland, Republican of California, and others of similar opinion—ever since the establishment of the Communist government in China in the autumn of 1949. MacArthur policies now in force include the nonrecognition of the Communist regime and the safeguarding of Generalissimo Chiang Kai-shek's control of Formosa.

This record weakens the Administration now in combatting General MacArthur's exposition of ideas on American strategy which he set forth on May 3, 4 and 5 in the joint hearings of the Senate Armed Services and Foreign Relations Committees. The differences in policy between the General and the President are so cloudy in the minds of the public it can no longer be said that support of the Administration on the issue of strategy in Asia (aside from the issue of conflict between personalities and controversy between political parties) means clear-cut opposition to the General. Nor does support of the General's views mean decisive conflict with the views of the Administration. Americans who object to possible involvement in a China war must find a new champion of their own outside the Administration.

Senate Hearings on MacArthur

The Senate hearings have revealed the essential absence of conflict over Asia between the General and the Administration. They do disagree in their view of global strategy. General MacArthur has told the committees that Europe is not the focus of conflict, while the Administration has

based its foreign and military policy on the assumption that if the West holds Europe, the United States is protected. He has told the committees that the enemy of the United States is not the Soviet Union but communism, while the Administration has singled out the Soviet government as the source of danger to our security. Despite the fact that a logical pursuit of the Asian policy recommended by General MacArthur at our present stage of rearmament might weaken our policy in Europe and destroy our long-continued effort to outwit, not Communists or communism, but the Soviet regime, the hearings have disclosed that the Administration has been considering the very steps which General MacArthur advocates. In this respect the hearings provide Americans with a preview of one possible line of development in our foreign policy.

In support of his argument that the Chinese Communists now helping the North Koreans in battle against the United Nations should be harassed by means other than warfare confined to Korea itself, General MacArthur on May 3 quoted from recommendations which the Joint Chiefs of Staff on January 12 submitted to Secretary of Defense George C. Marshall. The Joint Chiefs of Staff advocated an intensification of the blockade of China; the imposition of a naval blockade of China under certain circumstances; immediate removal of restrictions on air reconnaissance of China coastal areas and of Manchuria; immediate removal of restrictions which keep the Chinese Nationalist forces on Formosa, with logistical support by the United States to those forces in order to "contribute to effective operations against the Communists." But Mac-

Arthur himself has also advocated the bombing of Manchuria and, by implication, the landing of Nationalist troops on the mainland. The "restrictions" on the Nationalists, imposed by President Truman's June 25 proclamation, prevented bombing attacks on the mainland. Their removal might lead to a renewal of such attacks without any attempt to establish a beachhead. The Administration and MacArthur differ in their evaluation of the potential effectiveness of a mainland operation by the Nationalists. The forces on Formosa constitute but a fraction of the army which once held all China and lost it to the Communists. The expectation that the remnants of a defeated army could now overwhelm the victors—even though the victors are preoccupied with a campaign in Korea—appears optimistic to many observers. It may be debated whether in actual practice, however, the recommendations of the Joint Chiefs of Staff, nominally less adventurous than those of MacArthur, might not, in practice, lead to the same sort of mainland involvements.

Recommendations by the Joint Chiefs of Staff do not constitute the policy of the United States. The chiefs pass their views on to the Secretary of Defense, who is responsible to the President for his decisions. Evidence has not been brought to light that Secretary Marshall accepted the staff paper of January 12. On the contrary, Marshall has opposed General MacArthur's aspirations for an enlargement of the field of battle as a danger to the policy of building up our strength in Europe. General MacArthur on May 4 blamed Secretary Marshall for his removal and portrayed the Secretary as hoping to end the Korean war by negotiation, with the United States

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offering Formosa to the Chinese Communists and supporting Peiping's admission to the United Nations.

This reported program of the Secretary of Defense, however, has already been called into question by the decision of the Administration to supply military advisers to Generalissimo Chiang on Formosa. By that action the Administration has eliminated one theoretical opportunity to end the Korean war by peaceful means instead of the means which General MacArthur proposes. The presence of an American military mission on Formosa can help the Seventh Fleet to immobilize Chiang; but its presence also puts new barriers in the way of the United States' taking a neutral attitude toward Formosa, much less actually arranging its transfer to the jurisdiction of Communist China. Our Formosa

policy during the past 18 months shows an ever deeper involvement of the United States in the affairs of that island to the advantage of Chiang.

Administration on Defensive

The confusion in Administration policy has been reflected in the questioning of General MacArthur by pro-Administration Senators during the hearings. The major point in General MacArthur's argument is that the failure to follow his recommendations for harassing the Chinese in their own land means prolongation of the Korean war. The Administration has yet to describe clearly the likelihood that the adoption of those recommendations would simply transfer the war from Korea to a larger sphere, China. The General has awed his senatorial questioners by stating

flatly that he opposes American military participation in a conflict on Chinese soil; the Senators have refrained from examining those recommendations, which are the Joint Chiefs' as well as MacArthur's, for their ultimate implications, beyond speculating on the possibility that the Soviet Union might respond to our attacking China by attacking Japan. "I believe it is in the interest, the public interest, that diverse opinions on any controversial issue be fully aired," General MacArthur told the committees on May 4. The Administration began to present its view of the situation on May 7, when General Marshall challenged the main points made by General MacArthur. However, the Administration's policy still appears to be headed in the direction of expanded activities against Communist China. BLAIR BOLLES

Can Iran Run Nationalized Oil Fields?

With the issuance on May 2 of Iran's oil nationalization law as an imperial decree under the hand and seal of Shah Mohammed Reza Pahlavi, retroactive to March 20, the first phase of the international crisis precipitated by the decision of the Majlis (Parliament) to nationalize the British-owned Anglo-Iranian oil fields came to a close. On the same day Dr. Mohammed Mossadegh, leader of the extremist National Front who had been named premier on April 29, presented to the Shah the list of his cabinet, which includes as foreign minister Senator Bagher Kazemi, former Iranian minister to Sweden, also a National Front member.

Causes of Unrest

Agitation for oil nationalization, which reached a tragic climax with the assassination on March 7 of Premier Ali Razmara, who had firmly opposed this measure, has been supported not only by the National Front but also by the fanatical religious group, *Fadayan Islam* (Faithful of Islam), headed by Mullah Kashani (Razmara's assassin was a member of this group), and by the National Society for the Struggle against the Anglo-Iranian Company, an organization which follows the policy line of the outlawed pro-Communist Tudeh party. Extreme religious fanatics and doctrinaire Communists have thus joined hands in demanding the end of "British imperialism" and "foreign exploitation." The new premier himself is known for his passionate opposition to all foreign influence—both Russian and Western. During the demonstrations of May 1 in Teheran, however, Tudeh spokesmen derisively re-

ferred to Dr. Mossadegh as the "weeping leader of the so-called National Front."

American observers now in Iran agree that while the Communists are shrewdly capitalizing on the popular emotion aroused by the demand for oil nationalization, the basic causes of the current unrest are far more deep-seated than had hitherto been recognized by the Western powers. Edmund Stevens of *The Christian Science Monitor* states that the "predatory feudal attitude" of the "fabulously rich" Iranians who constitute one per cent of the population, "more than all the Soviet propaganda, prepares a favorable ground for communism." The most dangerous aspect of the present situation is that the wealthy landowners who control the Majlis, and who have stubbornly resisted the democratic-minded Shah's attempts to carry out land reform, hold out to the people the promise that the mere act of nationalizing British-owned oil will spell the end of their poverty. The British have thus been made the scapegoat for the inertia and lack of civic responsibility of Iran's ruling group.

For the moment, however, it is not clear just how the Mossadegh cabinet proposes to operate the nationalized oil fields of the Anglo-Iranian Company, which is not only the largest industrial enterprise in Iran in terms of capital and employment but has also hitherto provided about 15 per cent of the total government income through its payments of royalties and taxes. According to Walter J. Levy, writing in the February issue of *The Oil Forum*, the company has contributed more than 60 per cent to Iran's total foreign-exchange revenue

and has indirectly at least been the source of most of the country's dollar income through conversion of Iranian-held sterling into dollars by the Bank of England.

Iran's Charges

The Iranian government, rightly or wrongly, has long been dissatisfied with the size of the contribution made by the company to the country's economy. In the 1930's the government canceled the concession granted to the company in 1908, and a new agreement running for a 60-year period ending in 1993 was negotiated in 1933. The Kremlin's postwar demands for a concession to develop oil fields in northern Iran—Russia's sphere of influence in Tsarist times—complicated the relations of Teheran with the British. Negotiations for revision of the 1933 concession, initiated by Iran in 1948, came to naught in December 1950, when a special Iranian parliamentary commission submitted an adverse report on an 11-point supplementary agreement initialed by the company.

The government's basic charge against the company was that its income from operations of the Anglo-Iranian was too low. This charge was supported by reference to arrangements in effect in Venezuela, where the profits from oil operations are divided between the oil companies and the government more or less on a 50-50 basis and was further bolstered by the announcement in February that a United States concern, the Arabian-American Oil Company, had granted a 50-50 arrangement to Saudi Arabia and had agreed to pay taxes in that country. Iran,

moreover, complained that the domestic price of oil was too high, preventing early industrialization; that oil distribution in Iran was not handled efficiently; that the company had employed too large a proportion of foreign labor; that Iranians were not given an appropriate share of managerial jobs; and that the company had neglected education, health and housing of employees and the training of Iranians for executive positions.

In reply to Iran's criticisms, *The Economist* pointed out on March 24 that the Anglo-Iranian paid high wages by Iranian standards—64 rials a day at Abadan in 1950 as compared with 12 rials in the Iranian textile factories of Isfahan. It also asserted that a careful assessment of the Saudi Arabia agreement and of the supplementary agreement accepted by the Anglo-Iranian Company but not ratified by the Majlis would show that "in any bad year, the Anglo-Iranian's 'supplemental' was the better offer."

The company and the British government (which owns 53 per cent of Anglo-Iranian's stock), after vainly urging Iran to arbitrate the issues in dispute, appear to have accepted the fact of nationalization, although continuing to protest against the unilateral cancellation. Their main concern now is to obtain adequate compensation

and to assure continuance of the export of Iranian oil, a very large part of which is shipped to Western Europe. On May 4 Mr. Nasrollah Entezam, Iranian ambassador in Washington, declared that Iran will pay "fair and rightful compensation to the nationalized Anglo-Iranian Oil Company and will assure a continued flow of its output to the traditional buyers." At present, however, the government lacks financial resources to cover even its own essential administrative operations. American and British experts do not believe it will prove possible for the Iranians, in view of their lack of technicians, to operate the oil fields without the assistance of foreign managerial and technical personnel. Efforts are therefore now being made by British Foreign Secretary Herbert Morrison to work out a "partnership" arrangement between the company and Iran. In any case, Iran does not possess the facilities for selling the oil outside its borders and would presumably have to turn to the Anglo-Iranian Company, with its world-wide distributing facilities, for this phase of the operation.

While the U.S.S.R. is known to need oil—at the present time Russian oil fields produce about 10 per cent of the world's oil output—in practice it would be prohibitive to transport oil overland from southern Iran uphill to Russia, and trans-

portation by sea would require expensive new installations. Russia, therefore, would not be a direct beneficiary of Iran's oil nationalization. It would, however, win an important victory if Iranian oil were no longer available for the industrial production and rearmament of Western Europe. From the Kremlin's point of view it is also important to prevent Britain and the United States from making use of Iran as a possible base of attack on Russia's principal oil fields in the Baku region.

At a time when the Eastern Mediterranean and the Middle East are already in ferment as a result of Israeli-Syrian fighting and Egypt's demand for Britain's withdrawal from the Suez Canal zone, British and American diplomats are faced with the delicate task of re-establishing friendly relations with Iran in such a way as to assure a steady oil supply to the North Atlantic Treaty Organization countries. Developments in Iran offer a graphic example of the way in which, without the firing of a shot, the Western nations may lose important strategic and economic areas, not because the Russians are more shrewd or skillful than Westerners, but because the West has often been slow to recognize the strength of nationalism and of the desire for change in underdeveloped areas.

VERA MICHELES DEAN

Immigrants Pose Grave Economic Problems for Israel

The government of Israel and its friends in the United States are currently striving to raise \$1 billion in this country over the next three years. It is hoped to obtain this sum, for stabilization of the struggling new state's economy, through four independent but parallel channels: private investment, private philanthropic contributions, the sale of Israeli government bonds, and a United States government grant-in-aid.

Under the emotional stimulus of Israel's birth, followed by the war with the Arabs and the dramatic resettlement of the European DP's, aid for Israel from all American sources reached the impressive total of better than \$400 million during the past three years. It would seem that a more secure and developed Israel would now require less external assistance. Yet urgent calculations call for more than twice as much aid in the coming three-year period as in the last. Why are the higher goal and redoubled effort considered vital for Israel's economy?

The fledgling state would undoubtedly be in grave difficulties even if confronted only with the costs and dislocations of the

Arab war, the loss of Jewish Palestine's Middle Eastern markets, the separation from the sterling bloc and the legacy of economic vacuum created by the decisive and abrupt termination of the British mandate. But the greatest single cause of the present economic distress is a wholly new factor: the enormous and unprecedented immigration.

Heavy Immigration

Between May 1948 and April 1951 around 550,000 Jews, mainly from Eastern Europe, North Africa and the Arab countries, have poured into Israel. This represents a record-shattering increase of more than 80 per cent over the Jewish population there on the day the state was formed—a performance unequalled in modern history. More immigrants have arrived in three years than in the mandate's three decades. And more keep on arriving. Official estimates anticipate an annual average of 200,000 additional immigrants during 1951-53. A relay of airplanes is now flying 1,000 Iraqi Jews into Israel daily.

From the point of view of economics this deluge of generally untrained and

largely destitute immigrants into an underpopulated but already overburdened territory must be regarded as a heavy liability—even granted that the newcomers will eventually turn into assets when integrated into the community and transformed into active producers. But economics has not been the major consideration. From the standpoint of defense, the Israelis believe it crucially imperative to swell the reservoir of their fighting manpower against the danger of possible fresh attack by the hostile Arabs, whose frontiers hem Israel in on all sides except the Mediterranean and whose superiority in sheer numbers remains overwhelming. Last month's outbreak of limited Israeli-Syrian warfare over a disputed "demilitarized zone" north of Lake Tiberias underlines anew the constant alert prevailing around the entire perimeter of the Jewish state. Ironically, another "immigrant" problem—the plight of hundreds of thousands of Arab refugees who fled during the Palestine war and remain neither repatriated nor resettled while subsisting on Arab territory thanks to a UN dole financed mostly by the United States—is one of the factors irri-

tating Israel's relations with its neighbors.

From the point of view of national purpose, moreover, the Israeli government and people think it abhorrent even to contemplate shutting their gates in the faces of hundreds of thousands of persecuted, insecure Jews abroad—the very “exiles” whose “ingathering” from nondemocratic lands of underprivilege into a safe refuge and “National Home” was the great dream of Zionism and *raison d'être* of Israel. The only check imposed on the immigrant flood has been to give priority to so-called “deadline” countries like Rumania and Iraq, whence Jews desiring to leave for Israel—in many instances to be reunited with close kin already there—must depart before unfriendly local governments cut off emigration altogether. Any general curtailment of entry by Israel would, in Zionist opinion, be humanly, morally, politically and militarily unthinkable.

Economic Achievements

Despite the immigrant burden, Israel has recorded solid economic achievements. Between 1948 and 1950, according to official figures, national income rose from \$618 million to \$910 million, an improvement of 47 per cent. Net investment expanded from 28 per cent of national income in 1949 to 35 per cent in 1950. The Treasury succeeded last year in balancing at least its regular budget, with something left over for roads, harbors, pipelines and other development projects. (Part of the military budget is secret.) Nearly 500,000 immigrants have found employment and a degree of absorption into the economy. Around 260 new agricultural settlements have been established, and although many of these are rudimentary in contrast with older colonies, their mere volume is an impressive token of the state's energy: only 270 such colonies had emerged in the preceding 70 years of Palestine's growth. Official statistics attribute to agricultural production an increase of around 80 per cent in three years. From 1949 to 1950 the rate of building construction doubled; farm and industrial construction went up over five times; cement output was some 57 per cent greater; the use of electric power in industry rose more than 40 per cent.

Nevertheless, Israel's balance of international payments remains vastly unfavora-

ble. The country is still importing about eight times as much as it sells abroad. True, an increasing portion of imports is capital equipment which, when put to work in the production of goods, will help reduce the imbalance. Moreover, the inability of exports at this moment measurably to gain ground on imports is in part a normal consequence of the population influx, which has greatly magnified the need for food, clothing, housing, consumer goods of all kinds—and jobs. The crux of Israel's problem is not so much the disparity between what it buys and what it produces as its lack of foreign exchange—notably dollars—to pay for the imported goods, machinery and raw materials indispensable if it is to maintain its population and develop an expanding economy capable of giving work to its constantly growing labor manpower.

How large is the gap between Israel's foreign-exchange supplies and requirements? What efforts are the Israeli people making to limit the spending of their meagre hard-currency reserves? May substantial help be expected from the four-point Aid-Israel program envisaged in the United States?

HAL LEHRMAN

(This is the first of two articles. Mr. Lehrman, foreign correspondent, author and lecturer, has been awarded a Guggenheim fellowship for 1951-52 to aid his continued study of Israel.)

Branch and Affiliate Meetings

CINCINNATI, May 15, *U.S. Relations with South Asia*, Hon. George C. McGhee

MILWAUKEE, May 17, *Looking at the Issues in the Great Debate*, J. Martin Klotzsch

NEW YORK, May 17, *The Schuman Plan: Hopes, Risks and Dangers*, Philip Cortney

DETROIT, May 18, *American Foreign Policy*, Hon. Blair Moody

NEW YORK, May 21, *U.S. Foreign Policy and Psychological Warfare*, Saul K. Padover

PROVIDENCE, May 21, *Report From China*, Amos and Lynn Landman

HARRISBURG, May 24, *Turkey in the World Picture Today*, Nuri Eren

SPRINGFIELD, May 28, *The Next Phase in U.S. Foreign Policy*, Vera M. Dean

Pakistan, The Heart of Asia, by Liaquat Ali Khan. Cambridge, Harvard University Press, 1950. \$3.

A collection of the speeches made in this country by Pakistan's prime minister between May and June 1950, including his address on May 8 under the auspices of Town Hall and the Foreign Policy Association.

News in the Making

GERMAN ELECTORAL SYMPTOMS: Neo-Nazi tendencies have come out into the open in Central Europe. The Socialist Reich party won 11 per cent of the popular vote in the May 6 elections in Lower Saxony (British zone of Germany), while on the same day the League of Independents obtained 15 per cent of the vote in Austria's inconclusive presidential elections. In Lower Saxony the Social Democrats, while retaining a plurality, dropped to 33 per cent from 43 per cent won in the 1947 state elections.

DE GAULLE ATTACKS: With national elections expected in June, French political parties are stepping up their campaigns. Leading off with a bitter attack on the parties in the Queille coalition government, General Charles de Gaulle on May 1 demanded that the leadership for the defense of France and North Africa should be in French hands and criticized the proposal that the North Atlantic allies be granted the use of bases on French territory. On May 6 he issued another blast, this time against “projects for a stateless army which are nothing but vague chimeras.”

TOWARD U.S.-BRITISH UNITY: Washington and London are moving closer together on official policies as the result of controversies that have stirred both countries. Defense Mobilizer Charles E. Wilson's trip to Europe, where he listened sympathetically to French and British concern over raw materials, may bring about more carefully coordinated international allocations. General Douglas MacArthur's testimony regarding the supplies of strategic materials reaching Communist China from Western sources is causing Britain to review its policy on Hong Kong trade.

TITO'S GESTURE TO PEASANTS: By a directive issued on May 5 the Yugoslav government took an important step toward conciliating the peasants who, in spite of a vigorous campaign for collectivization, still control 75 per cent of the arable land. The new directive abolishes compulsory deliveries to the state of meat, milk, potatoes, beans, hay and straw. Independent peasants are authorized to sell decontrolled crops on the open markets directly to the consumers at fair market prices.

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